



Karoo Hoogland Local Municipality
Annual Financial Statements
for the year ended 30 June 2016
Published 30 November 2016

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Karoo Hoogland consumer base and grants from National Treasury for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 69, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Gustav Von Möllendorf
Municipal Manager

Karoo Hoogland Local Municipality

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Incorporation

Karoo Hoogland Municipality is a local municipality (category B) performing the functions as set out in the Constitution. (Act no 108 of 1996).

2. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Gustav Von Möllendorf

6. Bankers

The municipality's preferred bankers are:

Standard Bank
Williston
8920

7. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

8. Jurisdiction

The Karoo Hoogland Local Municipality includes the following areas:

Williston
Sutherland
Fraserburg

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	3	14 555	7 900
Other receivables from exchange transactions	4	221 263	224 599
Receivables from non-exchange transactions	5	587 616	546 657
VAT receivable	6	475 014	336 053
Receivables from exchange transactions	7	3 164 515	2 922 396
Cash and cash equivalents	8	6 503 433	2 913 329
		10 966 396	6 950 934
Non-Current Assets			
Investment property	9	24 901 710	25 252 145
Property, plant and equipment	10	195 076 754	194 563 813
Intangible assets	11	285 218	309 322
Long term receivables	12	48 548	54 354
Capitilised restoration cost	13	26 983	333 903
		220 339 213	220 513 537
Total Assets		231 305 609	227 464 471
Liabilities			
Current Liabilities			
Other financial liabilities	14	182 107	173 141
Finance lease obligation	15	164 768	121 824
Payables from exchange transactions	16	10 885 955	9 707 161
Consumer deposits	17	167 508	171 952
Employee benefit obligation	18	241 152	211 000
Unspent conditional grants and receipts	19	293 206	771 177
Provisions	20	29 625 784	28 677 264
		41 560 480	39 833 519
Non-Current Liabilities			
Other financial liabilities	14	2 268 468	2 453 553
Finance lease obligation	15	136 095	75 764
Employee benefit obligation	18	2 793 517	2 854 000
Provisions	20	9 239 101	9 198 624
		14 437 181	14 581 941
Total Liabilities		55 997 661	54 415 460
Net Assets		175 307 948	173 049 011
Accumulated surplus		175 307 948	173 049 011

* See Note 37

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	15 174 936	13 406 415
Rental of facilities and equipment	22	776 047	641 442
Interest received (trading)		909 007	915 447
Agency services		276 318	211 854
Other income	23	2 759 630	1 677 515
Interest received - investment	24	251 620	197 300
Total revenue from exchange transactions		20 147 558	17 049 973
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	5 058 502	4 483 617
Property rates - interest received	25	269 470	217 030
Transfer revenue			
Government grants & subsidies	26	27 257 148	30 461 730
Public contributions and donations		540	835
Fines, Penalties and Forfeits		6 312	5 610
Total revenue from non-exchange transactions		32 591 972	35 168 822
Total revenue		52 739 530	52 218 795
Expenditure			
Employee related costs	27	(16 387 735)	(17 131 990)
Remuneration of councillors		(2 139 474)	(1 905 710)
Depreciation and amortisation		(7 096 624)	(7 370 962)
Impairment loss		(20 908)	-
Finance costs	28	(3 146 133)	(2 624 941)
Debt Impairment	29	(2 417 304)	(1 531 993)
Repairs and maintenance		(1 584 588)	(3 076 273)
Bulk purchases	30	(7 878 333)	(6 488 302)
General Expenses	31	(10 074 399)	(11 050 661)
Total expenditure		(50 745 498)	(51 180 832)
Operating surplus		1 994 032	1 037 963
Loss on disposal of assets and liabilities		(1 809)	(1 443 379)
Actuarial gains/losses	18&20	266 717	702
		264 908	(1 442 677)
Surplus (deficit) for the year		2 258 940	(404 714)

* See Note 37

Karoo Hoogland Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	277 786 671	277 786 671
Adjustments		
Correction of errors	(104 332 946)	(104 332 946)
Restated Balance at 01 July 2014	173 453 725	173 453 725
Changes in net assets		
Surplus for the year	(404 714)	(404 714)
Total changes	(404 714)	(404 714)
Restated* Balance at 01 July 2015	173 049 008	173 049 008
Changes in net assets		
Surplus for the year	2 258 940	2 258 940
Total changes	2 258 940	2 258 940
Balance at 30 June 2016	175 307 948	175 307 948
Note(s)		

* See Note 37

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Rate payers and other		20 117 010	17 119 577
Grants		27 735 659	30 622 290
Finance income		251 620	197 300
Interest earned - outstanding debtors		909 007	915 447
Property rates - Interest received		269 470	217 030
		49 282 766	49 071 644
Payments			
Employee costs		(18 527 209)	(18 916 299)
Suppliers		(19 215 550)	(18 449 338)
Finance costs		(575 017)	(380 053)
Taxes		(138 961)	(267 316)
		(38 456 737)	(38 013 006)
Net cash flows from operating activities	46	10 826 029	11 058 638
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(7 159 554)	(11 080 264)
Proceeds from sale of property, plant and equipment	10	-	199 777
Purchase of other intangible assets	11	(14 715)	(21 271)
Purchase of long term receivables		-	(132 177)
Proceeds from sale of long term receivables		11 780	-
Net cash flows from investing activities		(7 162 489)	(11 033 935)
Cash flows from financing activities			
Repayment of other financial liabilities		(176 119)	(165 024)
Decrease in consumer deposits		(592)	(112 623)
Finance lease payments		103 275	17 091
Net cash flows from financing activities		(73 436)	(260 556)
Net increase/(decrease) in cash and cash equivalents		3 590 104	(235 853)
Cash and cash equivalents at the beginning of the year		2 913 329	3 149 182
Cash and cash equivalents at the end of the year	8	6 503 433	2 913 329

* See Note 37

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Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	18 246 000	-	18 246 000	18 430 321	184 321	Not a significant variance Note 48.1
Rental of facilities and equipment	497 000	-	497 000	646 495	149 495	Note 48.2
Interest received (trading)	948 000	-	948 000	1 178 452	230 452	Note 48.3
Agency services	243 000	-	243 000	276 318	33 318	Note 48.4
Other income	615 400	-	615 400	1 904 576	1 289 176	Note 48.5
Interest received - investment	215 000	-	215 000	251 620	36 620	
Total revenue from exchange transactions	20 764 400	-	20 764 400	22 687 782	1 923 382	

Revenue from non-exchange transactions

Taxation revenue

Property rates	5 950 000	-	5 950 000	5 058 502	(891 498)	Note 48.6
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Transfer revenue

Government grants & subsidies	29 260 000	3 000 000	32 260 000	27 257 148	(5 002 852)	Note 48.7
Fines, Penalties and Forfeits	4 500	-	4 500	4 420	(80)	Not a significant variance

Total revenue from non-exchange transactions	35 214 500	3 000 000	38 214 500	32 320 070	(5 894 430)	
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Total revenue	55 978 900	3 000 000	58 978 900	55 007 852	(3 971 048)	
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Expenditure

Personnel	(17 352 020)	100 000	(17 252 020)	(16 533 010)	719 010	Note 48.8
Remuneration of councillors	(2 085 000)	(100 000)	(2 185 000)	(1 993 398)	191 602	Not a significant variance
Depreciation and amortisation	(599 000)	-	(599 000)	(7 096 624)	(6 497 624)	Note 48.9
Finance costs	(305 000)	-	(305 000)	(3 146 108)	(2 841 108)	Note 48.10
Debt impairment	(2 340 000)	-	(2 340 000)	(2 417 304)	(77 304)	Not a significant variance
Bulk purchases	(7 615 000)	-	(7 615 000)	(7 878 333)	(263 333)	Not a significant variance
Contracted Services	(1 950 000)	-	(1 950 000)	(1 416 998)	533 002	Note 48.11
Government Grants and subsidies - Capital expenditure	(8 005 000)	-	(8 005 000)	(6 286 469)	1 718 531	Note 48.7
General Expenses	(15 677 545)	-	(15 677 545)	(13 347 009)	2 330 536	Note 48.12
Total expenditure	(55 928 565)	-	(55 928 565)	(60 115 253)	(4 186 688)	
Deficit before taxation	50 335	3 000 000	3 050 335	(5 107 401)	(8 157 736)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	50 335	3 000 000	3 050 335	(5 107 401)	(8 157 736)	
Reconciliation						
Basis difference						
Capital expenditure which is classified as expenditure in the budget				6 286 469		
Format and classification differences						
Expenses not budgeted for				(164 139)		
Income not budgeted for				1 244 014		
Actual Amount in the Statement of Financial Performance				2 258 943		

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome on a comparable basis	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	5 950 000	-	5 950 000	-		5 950 000	5 058 502		(891 498)	85 %	85 %
Service charges	18 246 000	-	18 246 000	-		18 246 000	18 430 321		184 321	101 %	101 %
Investment revenue	215 000	-	215 000	-		215 000	251 620		36 620	117 %	117 %
Transfers recognised	29 260 000	-	29 260 000	-		29 260 000	21 193 360		(8 066 640)	72 %	72 %
Other own revenue	2 307 900	-	2 307 900	-		2 307 900	4 010 261		1 702 361	174 %	174 %
Total revenue (excluding capital transfers and contributions)	55 978 900	-	55 978 900	-		55 978 900	48 944 064		(7 034 836)	87 %	87 %
Employee costs	(17 352 020)	100 000	(17 252 020)	-	-	(17 252 020)	(16 533 010)	(2 773 564)	719 010	96 %	95 %
Remuneration of councillors	(2 085 000)	(100 000)	(2 185 000)	-	-	(2 185 000)	(1 993 398)	(708 227)	191 602	91 %	96 %
Debt impairment	(2 340 000)	-	(2 340 000)			(2 340 000)	(2 417 304)	(800 196)	(77 304)	103 %	103 %
Depreciation and asset impairment	(599 000)	-	(599 000)			(599 000)	(7 096 624)	(1 163 250)	(6 497 624)	1 185 %	1 185 %
Finance charges	(305 000)	-	(305 000)	-	-	(305 000)	(3 146 108)	(999 049)	(2 841 108)	1 032 %	1 032 %
Bulk purchases	(7 615 000)	-	(7 615 000)	-	-	(7 615 000)	(7 878 333)	-	(263 333)	103 %	103 %
Government Grants and subsidies - Capital expenditure	(8 005 000)	-	(8 005 000)	-	-	(8 005 000)	(6 286 469)	-	1 718 531	79 %	79 %
Other expenditure	(17 627 545)	-	(17 627 545)	-	-	(17 627 545)	(14 833 045)	(2 793 779)	2 794 500	84 %	84 %
Total expenditure	(55 928 565)	-	(55 928 565)	-	-	(55 928 565)	(60 184 291)	(9 238 065)	(4 255 726)	108 %	108 %
Surplus/(Deficit)	50 335	-	50 335	-		50 335	(11 240 227)		(11 290 562)	(22 331)%	(22 331)%

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	6 063 248		6 063 248	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	540		540	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	50 335	-	50 335	-		50 335	(5 176 439)		(5 226 774)	(10 284)%	(10 284)%

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The annual financial statements have been rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30 years

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Accounting Policies

1.4 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
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Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Property, plant and equipment (continued)

Land	Straight line	Indefinite
Buildings	Straight line	20 - 35 years
Infrastructure	Straight line	10 - 100 years
Community	Straight line	30 years
Other assets	Straight line	3 - 20 years
Leased Assets	Straight line	3 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Karoo Hoogland Local Municipality

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Accounting Policies

1.6 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	15 years
Computer software licences	15 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Karoo Hoogland Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Karoo Hoogland Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Karoo Hoogland Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
7. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	561 094	303 941
31 - 60 days	368 091	233 956
61 - 90 days	326 395	213 373
91 - 120 days	304 557	217 581
121 - 365 days	279 005	1 646 625
> 365 days	10 990 476	6 103 011
	<u>12 829 618</u>	<u>8 718 487</u>
Less: Allowance for impairment	(10 853 253)	(8 403 524)
	1 976 365	314 963
Industrial/ commercial		
Current (0 -30 days)	436 208	72 341
31 - 60 days	133 092	32 573
61 - 90 days	76 221	55 169
91 - 120 days	66 926	38 900
121 - 365 days	44 147	221 529
> 365 days	433 058	468 738
	<u>1 189 652</u>	<u>889 250</u>
Less: Allowance for impairment	(508 726)	(411 183)
	680 926	478 067
National and provincial government		
Current (0 -30 days)	246 411	104 219
31 - 60 days	104 986	53 047
61 - 90 days	82 407	62 586
91 - 120 days	79 427	67 665
121 - 365 days	51 723	386 062
> 150 days	1 649 066	1 287 183
	<u>2 214 020</u>	<u>1 960 762</u>
Total		
Current (0 -30 days)	1 243 713	480 500
31 - 60 days	606 169	319 576
61 - 90 days	485 023	331 128
91 - 120 days	450 910	324 145
121 - 365 days	374 875	2 254 215
> 365 days	13 072 600	12 672 272
	<u>16 233 290</u>	<u>16 381 836</u>
Less: Allowance for impairment	(13 068 775)	(13 459 440)
	3 164 515	2 922 396
Less: Allowance for impairment		
Current (0 -30 days)	(259 670)	(257 769)
31 - 60 days	(258 932)	(228 422)
61 - 90 days	(258 409)	(218 382)
91 - 120 days	(255 025)	(225 663)
121 - 150 days	(253 719)	(237 393)
> 150 days	(14 486 902)	(12 291 811)
	<u>(15 772 657)</u>	<u>(13 459 440)</u>

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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7. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(13 694 771)	(12 158 264)
Contributions to allowance	(2 077 886)	(1 301 176)
	(15 772 657)	(13 459 440)

Consumer debtors pledged as security

No receivables from exchange transactions were pledged as security for any liabilities.

Fair value of consumer debtors

The carrying value of receivables from exchange transactions approximate their fair values.

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	3 164 515	2 922 396
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 700	2 700
Bank balances	6 500 733	2 910 629
	6 503 433	2 913 329

None of the above accounts have been provided as security or have been pledged as collateral.

No restrictions have been placed on the use of the cash and cash equivalents for the operations of the entity.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating

AA	6 500 733	2 910 629
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Karoo Hoogland Local Municipality

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Figures in Rand	2016	2015
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8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
Standard Bank Account number 083212442 (Primary bank account)	4 987 672	1 970 120	398 447	4 987 672	2 127 874	398 447
ABSA Bank Account number 2490000065 (Secondary Bank Account)	942 214	348 502	2 318 620	942 214	348 502	2 318 620
Standard Bank Call Account - Account number 28 864 122 002	2 871	2 871	-	2 871	2 871	-
ABSA Bank Call Account - Account number 4054352064	416 073	400 397	387 593	416 073	400 397	387 593
ABSA Bank Call Account - Account number 92 9194 4935	18 000	18 000	18 000	21 460	18 000	18 000
Standard Bank E-natis	97 744	149 739	-	97 744	149 739	-
ABSA Bank Call Account - Account number 92 9194 4935	1 003	1 000	1 000	1 003	1 000	1 000
Standard Bank FMG Call Account - Account number 28 8644 204	2 203	1 000	1 000	2 203	1 000	1 000
ABSA MSIG Call Account - Account number 92 8398 9884	1 000	1 000	1 000	1 000	1 000	1 000
Standard Bank MIG Call Account - Account number 28 8644 220	5 883	1 000	1 000	5 883	1 000	1 000
Standard Bank Library Call Account - Account number 28 8644 247	5 066	1 000	1 000	5 066	1 000	1 000
Standard Bank EPWP Account Number 28 8644 239	2 542	1 000	1 000	2 542	1 000	1 000
Fuel deposit account	15 000	15 000	15 000	15 000	15 000	15 000
Total	6 497 271	2 910 629	3 143 660	6 500 731	3 068 383	3 143 660

9. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	27 792 800	(2 891 090)	24 901 710	27 792 800	(2 540 655)	25 252 145

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	25 252 145	(350 435)	24 901 710

Karoo Hoogland Local Municipality

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Figures in Rand 2016 2015

9. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	25 602 580	(350 435)	25 252 145

Pledged as security

None of the above properties have been pledged as security for any liabilities.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	37 436 400	-	37 436 400	37 436 400	-	37 436 400
Buildings	14 372 172	(5 744 109)	8 628 063	14 372 172	(5 131 926)	9 240 246
Plant and machinery	387 030	(234 627)	152 403	473 940	(256 693)	217 247
Furniture and fixtures	1 373 287	(496 607)	876 680	1 292 868	(476 099)	816 769
Motor vehicles	2 163 798	(562 609)	1 601 189	1 908 798	(527 862)	1 380 936
Office equipment	145 700	(59 836)	85 864	148 494	(75 115)	73 379
IT equipment	1 542 324	(365 677)	1 176 647	1 555 488	(279 142)	1 276 346
Infrastructure	206 237 509	(61 584 201)	144 653 308	199 999 220	(56 249 034)	143 750 186
Community	93 077	(5 440)	87 637	93 077	(2 418)	90 659
Other property, plant and equipment	38 457	(17 271)	21 186	40 528	(16 069)	24 459
Leased Assets	490 270	(198 418)	291 852	545 246	(355 238)	190 008
Tools and loose gear	97 077	(31 552)	65 525	93 060	(25 882)	67 178
Total	264 377 101	(69 300 347)	195 076 754	257 959 291	(63 395 478)	194 563 813

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	37 436 400	-	-	-	-	37 436 400
Buildings	9 240 246	-	-	(612 183)	-	8 628 063
Plant and machinery	217 247	-	(442)	(64 402)	-	152 403
Furniture and fixtures	816 769	146 184	(300)	(85 973)	-	876 680
Motor vehicles	1 380 936	355 000	(645)	(134 102)	-	1 601 189
Office equipment	73 379	30 083	(109)	(17 489)	-	85 864
IT equipment	1 276 346	55 407	(244)	(154 862)	-	1 176 647
Infrastructure	143 750 186	6 286 469	(48)	(5 362 391)	(20 908)	144 653 308
Community	90 659	-	-	(3 022)	-	87 637
Other property, plant and equipment	24 459	-	(11)	(3 262)	-	21 186
Leased assets	190 008	280 536	-	(178 692)	-	291 852
Tools and loose gear	67 178	5 875	(10)	(7 518)	-	65 525
Total	194 563 813	7 159 554	(1 809)	(6 623 896)	(20 908)	195 076 754

Karoo Hoogland Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2016 2015

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land	39 075 400	-	(1 639 000)	-	37 436 400
Buildings	9 896 015	-	-	(655 769)	9 240 246
Plant and machinery	253 286	-	-	(36 039)	217 247
Furniture and fixtures	885 669	-	-	(68 900)	816 769
Motor vehicles	1 486 391	-	(4 156)	(101 299)	1 380 936
Office equipment	83 888	-	-	(10 509)	73 379
IT equipment	458 166	879 728	-	(61 548)	1 276 346
Infrastructure	139 212 731	9 895 680	-	(5 358 225)	143 750 186
Community	-	93 077	-	(2 418)	90 659
Other property, plant and equipment	27 235	-	-	(2 776)	24 459
Leased assets	177 451	168 729	-	(156 172)	190 008
Tools and loose gear	30 330	43 050	-	(6 202)	67 178
	191 586 562	11 080 264	(1 643 156)	(6 459 857)	194 563 813

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	832 715	(547 497)	285 218	820 850	(511 528)	309 322

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	309 322	14 715	(38 819)	285 218

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	320 309	21 271	(32 258)	309 322

Pledged as security

No intangible assets were pledged as security for liabilities.

Restricted title

There are no intangible assets whose title is restricted.

Other information

There are no internally generated intangible assets at year end.

No intangible assets were assessed having an indefinite useful life

Karoo Hoogland Local Municipality

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Figures in Rand	2016	2015
12. Long term receivables		
Long term receivables	341 445	353 225
Provision for impairment	(292 897)	(298 871)
	48 548	54 354

The long-term receivables relates to outstanding customer service accounts where these customers have arrangements in place with the Municipality to pay their accounts at a fixed instalment over a period longer than 12 months. Arrangements are in place up to 2030.

13. Capitalised restoration cost

2016	Net Carrying amount at 1 July	Acquisitions	Depreciation for the year	Impairment / Reversal of Impairment	Net Carrying amount at 30 June
Capitalised restoration cost	333 903	(292 623)	(83 476)	69 179	26 983
2015	Net Carrying amount at 1 July	Acquisitions	Depreciation for the year	Impairment / Reversal of Impairment	Net Carrying amount at 30 June
Capitalised restoration cost	1 352 853	(543 622)	(528 413)	53 085	333 903

Restoration cost financed by way of a provision - Refer to note 17 for further details.

Reconciliation of Carrying amount at 30 June

Net carrying amount		
Cost	9 715 321	10 007 945
Accumulated depreciation	(9 138 500)	(9 055 025)
Accumulated impairment	(549 838)	(619 017)
	26 983	333 903

14. Other financial liabilities

At amortised cost

Development Bank of South Africa	2 450 575	2 626 694
The loan to DBSA is payable in equal monthly instalments of R25 076. Interest is levied at 5% per annum. The last loan repayment will be on 31 December 2026.		

A cession over the income stream of the Municipality is pledged as security, covering the instalments plus interest and collection charges outstanding at any time during the term of the DBSA loan.

Non-current liabilities

At amortised cost	2 268 468	2 453 553
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Current liabilities

At amortised cost	182 107	173 141
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Karoo Hoogland Local Municipality

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Figures in Rand	2016	2015
15. Finance lease obligation		
Minimum lease payments due		
- within one year	193 722	157 701
- in second to fifth year inclusive	146 690	85 242
	340 412	242 943
less: future finance charges	(39 549)	(45 345)
Present value of minimum lease payments	300 863	197 598
 Non-current liabilities	 136 095	 75 764
Current liabilities	164 768	121 824
	300 863	197 588

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 2% (2015: 2%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	300 863	197 588
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For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 39.

The fair value of finance lease liabilities approximates their carrying amounts.

16. Payables from exchange transactions

Trade payables	7 996 641	7 522 520
Payments received in advance	432 326	385 380
Accrued leave pay	892 196	814 727
Accrued bonus	519 876	494 961
Deposits received	113 781	110 182
Unidentified deposits	550 488	379 391
Retentions	380 647	-
	10 885 955	9 707 161

17. Consumer deposits

Electricity	65 285	70 477
Water	102 223	101 475
	167 508	171 952

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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Figures in Rand	2016	2015
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18. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Policy

All continuation members receive a 70% subsidy. Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy. .

The effective date of the actuarial valuation of the post employment medical benefit obligation was the 30 June 2016 and performed by independent professional valuers. The next actuarial valuation is expected to be performed on 30 June 2017.

The amounts recognised in the statement of financial position are as follows:

Post employment medical benefit

Present value of the post employment medical benefit	(3 034 669)	(3 065 000)
Non-current liabilities	(2 793 517)	(2 854 000)
Current liabilities	(241 152)	(211 000)
	(3 034 669)	(3 065 000)

Post employment medical benefit:

The average in-service member liability has increased by 50% since the last valuation due to the following factors:

The total liability has decreased by 1% (or R 0.030 million) since the last valuation.

- an increase in the average age which means members are closer to retirement (less discounting) and less likely to leave before retirement; and
- an increase in the average past service.

The average continuation member liability has decreased by 23% due to the following factors:

- a decrease in the average employer contribution; and
- an increase in the average age.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3 065 000	2 816 000
Net expense recognised in the statement of financial performance	(30 331)	249 000
	3 034 669	3 065 000

Karoo Hoogland Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
18. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	47 000	39 000
Interest cost	273 000	262 000
Actuarial (gains) losses	(102 262)	(26 456)
Change in accounting estimate	-	201 000
Benefits paid	(248 069)	(226 544)
	(30 331)	249 000

Calculation of actuarial gains and losses

Actuarial (gains) losses – post employment medical obligation	(102 262)	(26 456)
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.23 %	7.00 %
Health care cost inflation rate	8.10 %	6.00 %
Net effective discount rate	1.04 %	0.94 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 9.23% per annum has been used. The corresponding index-linked yield at this term is 1.76%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 15 June 2016.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 8.10% has been assumed. This is 1.25% in excess of expected CPI inflation over the expected weighted average term of the liability, namely 6.85%. A large differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.04% which derives from $((1+9.23\%)/(1+8.10\%))-1$. The expected inflation assumption of 6.85% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.76%) and those of fixed interest bonds (9.23%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.23\%-0.50\%)/(1+1.76\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2017.

Karoo Hoogland Local Municipality

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Figures in Rand	2016	2015
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18. Employee benefit obligations (continued)

Mortality rates:

The PA 90 ultimate table, rated down by 1 year was used by the actuaries.

Average retirement age:

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

Continuation of Membership:

It has been assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family Profile:

It has been assumed that subsidised adult dependants are of the opposite gender and that they will be five years younger / older if they are female / male respectively. Further, we've assumed that 100% and 90% of eligible married and single employees, respectively, who are on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	366 000	282 000
Effect on defined benefit obligation	366 000	282 000

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	1 000	540 071
Library Development Grant	292 206	231 106
	293 206	771 177

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Karoo Hoogland Local Municipality

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Figures in Rand 2016 2015

20. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	36 362 888	(1 269 380)	-	-	2 157 116	37 250 624
Long service award	1 513 000	143 000	(18 284)	(164 455)	141 000	1 614 261
	37 875 888	(1 126 380)	(18 284)	(164 455)	2 298 116	38 864 885

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	35 891 683	(1 408 683)	-	-	1 879 888	36 362 888
Long service award	1 315 000	105 000	(35 754)	25 754	103 000	1 513 000
	37 206 683	(1 303 683)	(35 754)	25 754	1 982 888	37 875 888

Non-current liabilities	9 239 101	9 198 624
Current liabilities	29 625 784	28 677 264
	38 864 885	37 875 888

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

Location and estimated decommission date

Williston, Estimated decommission date	10 676 393	10 346 219
Fraserburg, Estimated decommission date	7 944 083	7 723 624
Sutherland, Estimated decommission date	18 630 148	18 293 044
	37 250 624	36 362 887

Material Assumptions used

Discount Rate used:

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

Long Service Awards

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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20. Provisions (continued)

The Long Service Award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Material Assumptions used

- Discount rate: 8.73%
- General Salary Inflation (long-term): 7.70%
- Net effective discount rate: 0.96%

The salaries used in the valuation include an assumed increase on 1 July 2016 of 6% as per the SALGBC Circular No.: 01/2016. The next salary increase was assumed to take place on 1 July 2017.

The average retirement age was presumed as 63 years to allow for potential early retirements.

21. Service charges

Sale of electricity	8 796 937	7 745 101
Sale of water	2 349 551	2 050 812
Sewerage and sanitation charges	2 304 609	1 976 058
Refuse removal	1 723 839	1 634 444
	15 174 936	13 406 415

22. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	776 047	641 442
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23. Other income

Department of justice electrification programme	1 322 491	52 000
LG Seta Skills development	28 671	7 031
Landfill Sites Rehabilitation Income	976 757	865 062
Sundry income	431 711	753 422
	2 759 630	1 677 515

24. Investment revenue

Interest revenue

Bank	251 620	197 300
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Karoo Hoogland Local Municipality

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Figures in Rand	2016	2015
25. Property rates		
Rates received		
Residential, commercial property, state and farms	8 528 451	7 744 810
Less: Rebates	(3 469 949)	(3 261 193)
	5 058 502	4 483 617
Property rates - interest received	269 470	217 030
	5 327 972	4 700 647

Valuations

Residential	252 258 000	252 358 000
Commercial	69 167 900	69 222 000
State	40 513 500	40 513 500
Municipal	17 751 100	17 751 100
Small holdings and farms	2 652 080 800	2 652 080 800
Public Service Infrastructure (Zero Rated)	182 741 000	182 741 000
Public Benefit Organisations	4 826 100	4 826 100
Multiple purpose	485 000	485 000
Vacant land	21 633 000	21 578 200
	3 241 456 400	3 241 555 700

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.011050 (2015: R0.010420) is applied to property valuations to determine assessment rates. Properties used for domestic purposes and consisting of both land and improvements are subject to a R15 000 rebate. There are also different rebates and phased in tariffs for different sectors of the community.

Rates are levied on an annual basis with the final date for payment being 30 September 2016 (30 September 2015). Interest at prime plus 1% per annum.

The new general valuation will be implemented on 01 July 2017.

Karoo Hoogland Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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26. Government grants and subsidies

Operating grants

Equitable share	15 812 000	14 669 000
Local Government Financial Management Grant	1 800 000	1 800 000
Municipal Systems Improvement Grant	930 000	934 000
Expanded Public Works Program	1 000 000	1 349 714
Library Development Grant	1 651 900	899 011
	21 193 900	19 651 725

Capital grants

Municipal Infrastructure Grant	5 541 071	8 890 000
Regional Bulk Infrastructure Grant	522 177	1 920 005
	6 063 248	10 810 005
	27 257 148	30 461 730

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	15 812 000	14 669 000
Unconditional grants received	11 445 148	15 792 730
	27 257 148	30 461 730

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Municipal Infrastructure Grant

Balance unspent at beginning of year	540 071	540 071
Current-year receipts	8 005 000	8 890 000
Conditions met - transferred to revenue	(5 541 071)	(8 890 000)
Amounts withheld	(3 003 000)	-
	1 000	540 071

Conditions still to be met - remain liabilities (see note 19).

This grant was used to construct municipal infrastructure to provide basic services for the benefit of the poor households. The conditions of the grants were met.

National Treasury withheld R 3 003 000 of the Municipal Infrastructure Grant as the Municipality was not able to demonstrate that the monies would have been timeously spent in the financial year.

Local Government Financial Management Grant

Current-year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

Karoo Hoogland Local Municipality

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Figures in Rand	2016	2015
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26. Government grants and subsidies (continued)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Municipal Systems Improvement Grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

Expanded Public Works Program

Balance unspent at beginning of year	-	349 714
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 349 714)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The purpose of this grant is to improve the quality of life of poor people and increase social stability through engaging the previously unemployed in paid and productive activities, to reduce levels of poverty, contribute towards increased levels of employment and improve opportunities for sustainable work through experience and learning.

Regional Bulk Infrastructure Grant

Current-year receipts	522 177	1 920 005
Conditions met - transferred to revenue	(522 177)	(1 920 005)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The purpose of this grant is to develop infrastructure required to connect or augment a water resource, to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the municipality.

Library Development Grant

Balance unspent at beginning of year	231 106	37 117
Current-year receipts	1 713 000	1 093 000
Conditions met - transferred to revenue	(1 651 900)	(899 011)
	292 206	231 106

Conditions still to be met - remain liabilities (see note 19).

The grant is being used to support library services.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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27. Employee related costs

Bargaining council contributions	7 004	6 333
Basic	13 640 883	14 345 133
Bonus	1 042 229	1 170 344
Contributions for UIF, Pensions and Medical Aids	943 362	974 421
Leave pay provision charge	133 094	67 176
Long-service awards	143 000	33 493
Overtime payments	249 739	223 294
Post retirement medical aid expenses	47 000	151 211
SDL	181 424	160 585
	16 387 735	17 131 990

Remuneration of the Municipal Manager: GW Von Möllendorf

Annual Remuneration	877 510	635 400
Cell phone allowance	-	12 000
Travel Allowance	154 855	112 130
	1 032 365	759 530

Remuneration of the Director Financial Services: MK Botha

Annual Remuneration	-	850 228
Cell phone allowance	-	11 000
Leave Gratification	-	60 536
Travel Allowance	-	178 121
	-	1 099 885

Mr Botha's services ended in November 2014.

Remuneration of the Director Financial Services: SJ Myburgh

Annual Remuneration	713 360	265 500
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Mr Myburgh was appointed as acting chief financial officer from 1 January 2015.

Remuneration of the Director Technical: FJ Lötter

Annual Remuneration	485 908	454 120
Annual bonus	47 954	44 817
Cell phone allowance	12 000	12 000
Travel Allowance	89 539	83 682
	635 401	594 619

Remuneration of the Director Corporate Services: L Notnagel

Annual Remuneration	-	318 023
Leave Gratification	-	93 333
Travel Allowance	-	32 146
	-	443 502

Mr Notnagel's services ended in April 2014.

Karoo Hoogland Local Municipality

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Figures in Rand	2016	2015
28. Finance costs		
Actuarial interest	414 000	365 000
Long term borrowings	179 111	201 321
Provision for the rehabilitation of landfill sites	2 157 116	1 879 888
Trade and other payables	395 906	178 732
	3 146 133	2 624 941
29. Debt impairment		
Debt impairment	2 417 304	1 531 993
30. Bulk purchases		
Electricity	7 878 333	6 488 302
31. General expenses		
Advertising	43 880	29 309
Assets expensed	852	1 305
Auditors remuneration	1 640 091	4 549 088
Bank charges	216 296	179 429
Cleaning	29 418	20 390
Commission paid	151 041	138 333
Consultant fees	1 532 629	142 721
Consumables	11 549	-
Donations	111 564	57 038
Entertainment	6 722	22 568
Fuel and oil	465 303	514 717
Insurance	217 048	205 204
Internal audit	6 080	-
Motor vehicle expenses	207	514
Operating grant expenditure	3 259 668	3 144 432
Other expenses	660 945	591 860
Postage and courier	2 771	2 368
Printing and stationery	273 656	230 106
Refuse	95 942	72 991
Research and development costs	39 651	67 780
Software expenses	256 855	63 769
Staff welfare	110 244	237 483
Street lighting	161 947	68 734
Telephone and fax	291 609	361 183
Title deed search fees	10 498	6 900
Training	2 500	-
Transport and freight	6 474	4 403
Travel - local	468 959	338 036
	10 074 399	11 050 661
32. Auditors' remuneration		
Fees	1 640 091	4 549 088

Karoo Hoogland Local Municipality

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016

2015

33. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	221 263	221 263
Receivables from non-exchange transactions	587 616	587 616
Receivables from exchange transactions	3 164 515	3 164 515
Cash and cash equivalents	6 503 433	6 503 433
Long term receivables	48 548	48 548
	10 525 375	10 525 375

Financial liabilities

	At amortised cost	Total
Other financial liabilities	2 433 236	2 433 236
Finance lease liability	300 863	300 863
Trade and other payables from exchange transactions	10 885 955	10 885 955
Consumer deposits	167 508	167 508
	13 787 562	13 787 562

2015

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	224 599	224 599
Trade and other receivables from exchange transactions	2 922 396	2 922 396
Receivables from non-exchange transactions	546 657	546 657
Cash and cash equivalents	2 913 329	2 913 329
Long term receivables	54 354	54 354
	6 661 335	6 661 335

Financial liabilities

	At amortised cost	Total
Finance lease liability	197 589	197 589
Other financial liabilities	2 626 694	2 626 694
Trade and other payables from exchange transactions	9 707 166	9 707 166
Consumer deposits	171 952	171 952
	12 703 401	12 703 401

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Figures in Rand	2016	2015
Financial instruments disclosure (continued)		
Financial instruments in Statement of financial performance		
2016		
	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost - Exchange transactions	1 160 627	1 160 627
Interest income (calculated using effective interest method) for financial instruments at amortised cost - Non-exchange transactions	269 470	269 470
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(575 017)	(575 017)
	855 080	855 080
2015		
	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost - Exchange transactions	1 112 747	1 112 747
Interest income (calculated using effective interest method) for financial instruments at amortised cost - Non-exchange transactions	217 030	217 030
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(380 053)	(380 053)
	949 724	949 724
34. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	16 358 897	5 838 594
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	32 714 725	35 557 277
Total capital commitments		
Already contracted for but not provided for	16 358 897	5 838 594
Not yet contracted for and authorised by accounting officer	32 714 725	35 557 277
	49 073 622	41 395 871

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Karoo Hoogland Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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35. Contingencies

Permits for the operation of landfill sites

The Municipality has three active landfill sites situated in Williston, Fraserburg and Sutherland. The sites in Williston and Sutherland are not licenced as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In accordance with section 68(1), a person convicted of an offence referred to in section 67(1)(a), (9) or (h) is liable to a fine or to imprisonment, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.

SAMWU OBO Albert van Wyk vs KHM

Applicant is claiming unfair dismissal from the municipality. Costs will be determined by the court.

Contingent assets

KHM vs L Nothnagel

A claim against L Nothnagel relating to Labour Court costs amounting to R117 651.

KHM vs SAMWU (A van Wyk)

Bargaining Council resolution in favour of KHM amounting R17 101.

Salary investigation (SALGA T-Scales)

Council to investigate the salary scales of employees due to audit finding. As Council is seeking legal advice the amount cannot accurately be presented.

CASE OF SAMWU VS KHM (JK MALHO)

Disciplinary case by municipality against an employee amounting to R6 618.

Karoo Hoogland Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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36. Related parties

Relationships

Accounting Officer

Members of key management

G Von Möllendorf

S Myburgh

F Lötter

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

JJ Vermeulen	322	-
MM Van Wyk	(130)	-
JJ van der Colff	(18)	-
JP Julies	315	-
K Koopman	1 109	18 289

Related party transactions

Rates levied 1 July to 30 June

JJ Vermeulen	194	183
MM Van Wyk	2 595	2 449
JJ Van der Colff	5 301	4 993
JP Julies	774	729
K Koopman	3 378	3 526
C Fortuin	-	271

Service charges levied 1 July to 30 June

JJ Vermeulen	4 826	4 502
JP Julies	4 220	3 528
K Koopman	18 669	6 772
C Fortuin	-	1 129

Remuneration of key management refer to note 26 of the annual financial statements.

37. Prior period errors

Skills development levy with an amount of R83 was paid over twice to SARS, resulting in the overstatement of Employee related costs and the understatement of Receivables from non-exchange transactions.

A deposit with an amount of R5 144 for agency fees was erroneously recorded twice in the accounting records of the municipality. This resulted in the overstatement of cash and cash equivalents and income from agency services by R5 144.

A SARS investigation revealed that the municipality claimed too much input VAT during the previous 3 financial years. This resulted in the understatement of opening accumulated surplus by R1 107, other expenditure by R508, and the overstatement of VAT receivable by R1 616.

Correction of Consumer Deposits in relation to transactions recorded in 2014/2015 resulting in understatement of consumer deposit by R3 852, overstatement of service charges by R3 852.

Correction of incorrect service charges and property rates in the 2014/15 financial year. This resulted in the overstatement of service charges by R84 692, overstatement of property rates by R79 668, overstatement of Trade and other Receivables by R84 692, and the overstatement of Receivables from non-exchange transactions by R79 668.

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Figures in Rand

37. Prior period errors (continued)

An employee was overpaid for services rendered in prior years. This is being in the process of being recovered from the employee. The recovered monies were however incorrectly recorded as other income, instead of recognising a receivable. This resulted in the understatement of Opening Accumulated Surplus by R36 965, overstatement of Other income by R6 000, and understatement of Other Receivables from Non-exchange transactions by R30 965.

Accumulated amortisation on intangible assets amounting to R360 was incorrectly recorded in the accumulated surplus account in the prior year. This resulted in the overstatement of Intangible assets by R360 and the understatement of Accumulated surplus by R360.

Management revised the calculation of the non-current portion of long term debtors with arrangement in place. The revised calculation is based on the assumption that consumers who default on their arrangements, are classified as current receivables. In addition, the provision for impairment of long term debtors was incorrectly classified under current receivables. This resulted in the overstatement of long receivables by R3 420 337, the understatement of receivables from exchange transactions by R2 740 994 and the understatement of receivables from non-exchange transactions by R679 343.

The Provision for the Rehabilitation of landfill sites was restated due to inaccurate calculations made by the previous engineer. Professional engineers were appointed to value the provision and determined that the incorrect sizes were used in the previous estimates. This resulted in the overstatement of Opening Accumulated surplus by 7 669 918, understatement of the Provision for the Rehabilitation of landfill sites by R6 755 062, understatement of Capitalised restoration cost by R90 366, overstatement of Depreciation expense by R534 995, overstatement of impairment expense by R11 474, understatement of Finance costs by R406 309, and the understatement of Landfill Sites Rehabilitation Income by R876 535.

The fixed asset register was recompiled, due to the following reasons:

- Depreciation and accumulated depreciation was incorrectly calculated.
- Retentions on infrastructure projects were not recorded.
- Buildings were included on the fixed asset register that are not registered in the municipality's name.
- Capital assets were erroneously expensed.
- Sold assets were erroneously included on the fixed asset register.

Above corrections resulted in the overstatement of other income by R4 550, overstatement of depreciation expense by R3 363 245, overstatement of loss on disposal of assets by R394, overstatement of accumulated surplus by R90 709 274, understatement of payables from exchange transactions by R434 044, overstatement of Property, plant and equipment by R86 969 445, and the understatement of VAT receivable by R53 304.

It was discovered that interest on audit fees was incorrectly classified as general expenses instead of finance costs, resulting in the overstatement of general expenses by R178 732 and the understatement of finance costs by R178 732.

Included in the debtors gross balance are old balances amounting to R5 989 973, which were removed from the debtors system. These balances should have been impaired in 2007 already, resulting in the overstatement of Receivables from non-exchange transactions by R1 069 522, Receivables from exchange transactions by R4 920 451 and the overstatement of Accumulated surplus by R5 989 973.

The provision for debt impairment was revisited and determined that R235 332 was incorrectly recorded as Receivables from exchange transactions, instead of Receivables from non-exchange transactions. This resulted in the understatement of Receivables from exchange transactions and the overstatement of Receivables from non-exchange transactions by R235 332.

The correction of the errors results in adjustments as follows:

Karoo Hoogland Local Municipality

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Figures in Rand

37. Prior period errors (continued)

Statement of financial position

Property, plant and equipment	-	(86 969 445)
Capitalised restoration cost	-	90 366
Provisions	-	6 755 062
Intangible assets	-	360
Long term receivables	-	(3 420 337)
Receivables from non-exchange transactions	-	(674 131)
Consumer deposits	-	3 852
Cash and cash equivalents	-	(5 144)
Receivables from exchange transactions	-	(2 028 818)
Opening Accumulated Surplus or Deficit	-	(104 332 946)
VAT Receivable	-	51 687
Payables from exchange transactions	-	434 044

Statement of Financial Performance

Depreciation and impairment	-	(3 898 240)
Employee related costs	-	(83)
Agency services	-	(5 144)
General expenses	-	(178 224)
Finance costs	-	585 041
Service charges	-	(88 544)
Other income	-	865 985
Loss on disposal of assets and liabilities	-	(394)
Property rates	-	(79 668)

38. Comparative figures

Certain comparative figures have been reclassified.

The reason for the restatement are because management is of the opinion that the reclassifications present a fairer representation of the financial position of the municipality.

The effects of the reclassification are as follows:

Statement of financial position - extract

	Reclassification on
Payables from exchange transactions	1 309 688
Employee benefits	(2 822 688)
Provisions	1 513 000
Other financial liabilities	(197 589)
Finance lease liability	197 589
Trade Receivables from exchange transactions	(224 559)
Other receivables from exchange transactions	224 559
Total	-

Statement of financial performance - extract

	Reclassification on
Government grants and subsidies	(7 031)
Other income	7 031
General expenses	3 076 031
Other Operating Grant Expenditure	(3 076 031)
Total	-

Karoo Hoogland Local Municipality

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39. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	300 915	300 915	902 746	1 354 120
Finance lease obligation	193 722	108 480	28 210	-
Payables from exchange transactions	10 885 955	-	-	-
Consumer deposits	167 508	-	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	300 915	300 915	902 746	1 655 035
Finance lease obligation	157 702	85 242	-	-
Payables from exchange transactions	9 707 161	-	-	-
Consumer deposits	171 952	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At 30 June 2016, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R 27 514 (2015: R 28 243) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R 27 514 (2015: R 28 243) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets..

40. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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40. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding from National Treasury for the on-going operations for the municipality. The Municipality is aware that steps such as effective cash management procedures and effective debt collection procedures must be implemented to ensure its ability to meet its obligations and to increase its cash flow.

41. Events after the reporting date

No events after the reporting date occurred that requires disclosure.

42. Fruitless and wasteful expenditure

Opening balance	1 638 328	1 319 507
Fruitless and wasteful expenditure - Current year	209 139	318 821
	1 847 467	1 638 328

The fruitless and wasteful opening balances were restated as the municipality examined the entire population of the previous 2 financial years.

All fruitless and wasteful expenditure incurred, are as a result of Interest and penalties on late payments to suppliers. No disciplinary actions were taken against officials responsible.

43. Irregular expenditure

Opening balance	23 382 945	11 457 901
Add: Irregular Expenditure - current year	3 288 414	11 925 044
	26 671 359	23 382 945

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Procurement processes not followed	None	10 207
Awards to suppliers not on the municipality's approved database	None	108 619
Quotations not evaluated in accordance with Section 2 (1) (a) of PPPF Act.	None	1 654 937
Tender procedures not followed	None	1 514 651
		3 288 414

Management examined the entire population of the 2013-14 as well as the 2014-15 financial years to determine the full extent of the irregular expenditure. Consequently the opening balance of irregular expenditure was restated as follows:

Closing balance	Balance previously reported	Additional irregular identified	Restated balance
2013-14	-	11 457 901	11 457 901
2014-15	12 178 755	11 204 190	23 382 945
	12 178 755	22 662 091	34 840 846

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	1 719 783	916 353
Current year subscription / fee	600 000	1 010 000
Amount paid - current year	(510 000)	(206 570)
	1 809 783	1 719 783

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Distribution losses

Electricity distribution losses:

2016:

- Units purchased (Kwh)	6 425 565
- Units lost during distribution (Kwh)	1 077 219
- Percentage lost during distribution	16.76%

2015:

- Units purchased (Kwh)	5 766 695
- Units lost during distribution (Kwh)	602 451
- Percentage lost during distribution	10.45%

Water distribution losses:

2016:

- Kilo litres raw water input	302 418
- Kilo litres lost during distribution	24 889
- Percentage lost during distribution	8.23%

2015:

- Kilo litres raw water input	331 112
- Kilo litres lost during distribution	30 032
- Percentage lost during distribution	9.07%

Audit fees

Opening balance	4 351 952	696 306
Current year subscription / fee	1 934 591	4 549 088
Value added tax (VAT)	270 843	636 872
Amount paid - current year	(1 754 002)	(1 530 314)
	4 803 384	4 351 952

PAYE and UIF

Current year subscription / fee	2 892 470	3 243 226
Amount paid - current year	(2 892 470)	(3 243 226)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	2 089 441	4 297 493
Amount paid - current year	(2 089 441)	(4 297 493)
	-	-

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44. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	475 014	336 053
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VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had arrear accounts at 30 June 2016. The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
K Koopman	-	18 289	18 289

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

30 June 2015	Outstanding amount	Ageing (in days)
K Koopman	18 289	90

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Reason for deviation

Sole suppliers	1 250 784	1 290 219
Emergency	61 919	53 323
Impracticable	1 940 124	94 157
	3 252 827	1 437 699

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46. Cash generated from operations

Surplus (deficit)	2 258 940	(404 714)
Adjustments for:		
Depreciation and amortisation	7 096 624	7 370 962
Loss on sale of assets and liabilities	-	1 443 379
Landfill Sites Rehabilitation Income	(976 757)	(865 062)
Finance costs	2 571 116	2 244 888
Impairment deficit	20 908	-
Debt impairment	2 417 304	1 531 993
Movements in retirement benefit assets and liabilities	(30 331)	242 000
Movements in provisions	988 997	735 205
Actuarial gain	(266 717)	(702)
Reversal of impairments	-	(41 612)
Changes in working capital:		
Inventories	(6 655)	13 990
Other receivables from exchange transactions	3 336	(224 599)
Consumer debtors	(2 555 337)	(2 171 334)
Other receivables from non-exchange transactions	(376 123)	(45 881)
Payables from exchange transactions	302 100	1 769 789
VAT	(138 961)	(267 316)
Unspent conditional grants and receipts	(477 971)	(159 725)
Consumer deposits	(4 444)	(112 623)
	10 826 029	11 058 638

47. Unauthorised expenditure

Opening balance	75 669 965	65 070 196
Unauthorised expenditure current year - operating	9 238 065	10 599 769
	84 908 030	75 669 965

No disciplinary steps were taken during the year as a consequence of above expenditure.

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48. Budget differences

Material differences between budget and actual amounts

1. Rental of facilities and equipment: The Communage rental income was higher than anticipated due to not all contacts was included in the calculation for the budgeted amount.
2. Interest received - trading: More interest levied as anticipated.
3. Agency services: More commission received as anticipated due to more licences/permits and registrations of motor vehicles issued on behalf of the Department of Transport.
4. Other income: The Department of Justice paid R1,3 million to the municipality for the upgrading of the electrical supply to the Magistrates court.
5. Interest received - investment: Increase in bank balances due to better resource management, resulting in more interest received.
6. Property rates: The Municipality did not budget accurate for the exemptions and additional reductions and rebates on Property rates.
7. Government grants and subsidies: An Amount of R 3 003 000 was held back due to lack of expenditure. The additional R3 Million as per adjustment budget from Provincial Government did not realise.
8. Employee cost: The CFO was paid from the FMG and not from own funds as originally budgeted.
9. Depreciation and amortisation: The Municipality cannot budget for depreciation according to the Asset register as it will incur a deficit and will significantly influence the operations of the Municipality.
10. Finance costs: Municipality did not budget for lease interest under Finance cost but as general expenses.
11. Contracted services: Monies saved on the appointment of consultants.
12. General expenses: Auditors remuneration was significantly less than the prior year.

Differences between budget and actual amounts basis of preparation and presentation

The amounts in the annual financial statements were reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in the following table.

- Capital grant expenditure of R6 286 469 was reclassified as expenditure to be on the same basis as the budget.
- The following expenditure items were not budgeted for and therefore excluded from actual expenditure to be on the same basis as the budget:

APPENDIX A
KAROO HOOGLAND MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

EXTERNAL LOANS	Rate	Number	Redeemable	Balance at 2015/06/30	Balance at 2015/06/30 Restated	Received during the period	Redeemed written off during the period	Balance at 2016/06/30
ANNUITY LOAN								
DBSA	5%	102367/1	31 December 2026	2 626 694	2 626 694	-	176 119	2 450 575
Total Annuity Loans				2 626 694	2 626 694	-	176 119	2 450 575

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Cost/Revaluation					Impairment	Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance		Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings											
Land	37 436 400.00	-	-	-	37 436 400.00	-	-	-	-	-	37 436 400.00
Buildings	14 372 171.54	-	-	-	14 372 171.54	-	5 131 926.43	612 183.00	-	5 744 109.43	8 628 062.11
	51 808 571.54	-	-	-	51 808 571.54	-	5 131 926.43	612 183.00	-	5 744 109.43	46 064 462.11
Infrastructure											
Electricity	19 629 287.92	-	-	-	19 629 287.92	20 908.03	4 544 896.91	466 586.44	-	5 011 483.34	14 596 896.54
Road Transport	61 485 758.58	-	-	-	61 485 758.58	-	28 958 393.96	2 896 289.56	-	31 854 683.52	29 631 075.06
Sanitation	29 930 990.12	-	-	-	29 930 990.12	-	3 476 395.88	476 550.81	-	3 952 946.70	25 978 043.42
Water Supply	73 285 004.73	-	-	48 179.66	73 236 825.07	-	13 186 115.93	1 349 879.08	48 131.99	14 487 863.02	58 748 962.05
Solid Waste Disposal	438 114.27	-	-	-	438 114.27	-	220 394.97	25 833.07	-	246 228.04	191 886.23
Stormwater	11 970 460.19	-	-	-	11 970 460.19	-	5 862 836.08	147 251.86	-	6 010 087.94	5 960 372.26
Work in Progress	3 259 604.09	6 286 469.00	-	-	9 546 073.09	-	-	-	-	-	9 546 073.09
	199 999 219.89	7 159 554.00	-	48 179.66	206 237 509.23	20 908.03	56 249 033.72	5 362 390.82	48 131.99	61 563 292.56	144 653 308.64
Community Assets											
Recreation Grounds	93 077.21	-	-	-	93 077.21	-	2 417.59	3 021.99	-	5 439.58	87 637.63
Civil Buildings	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-
Public Conveniences/Bathhouses	-	-	-	-	-	-	-	-	-	-	-
Land Strip	-	-	-	-	-	-	-	-	-	-	-
	93 077.21	-	-	-	93 077.21	-	2 417.59	3 021.99	-	5 439.58	87 637.63
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	251 900 868.64	7 159 554.00	-	48 179.66	258 139 157.98	20 908.03	61 383 377.74	5 977 595.81	48 131.99	67 312 841.56	190 805 408.39

* Includes correction of error referred to in Note 32.

APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Cost						Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance		Opening Balance	Additions	Disposals	Closing Balance	
Total brought forward	251 900 868.64	7 159 554.00	-	48 179.66	258 139 157.98	20 908.03	61 383 377.74	5 977 595.81	48 131.99	67 312 841.56	190 805 408.39
Leased Assets											
Office equipment (lease)	545 246.00	280 536.00	-	335 512.00	490 270.00	-	355 238.22	178 691.51	335 512.00	198 417.73	291 852.27
	545 246.00	280 536.00	-	335 512.00	490 270.00	-	355 238.22	178 691.51	335 512.00	198 417.73	291 852.27
Other Assets											
Airconditioning	176 051.29	146 184.00	-	36 755.46	285 479.83	-	75 503.04	22 982.09	36 615.69	61 869.45	223 610.38
Chairs	343 599.95	-	-	15 470.05	328 129.90	-	156 179.03	24 690.72	15 392.43	165 477.31	162 652.58
Compactor	15 000.00	-	-	-	15 000.00	-	7 890.63	789.93	-	8 680.56	6 319.44
Compressors	-	-	-	-	-	-	-	-	-	-	-
Computer hardware	1 555 488.10	55 406.95	-	68 570.70	1 542 324.35	-	279 141.59	154 861.61	68 326.48	365 676.72	1 176 647.63
Concrete mixer	17 169.97	-	-	3 433.99	13 735.98	-	9 097.86	1 449.78	3 426.93	7 120.71	6 615.27
Electronic equipment	71 386.04	30 082.65	-	16 397.57	85 071.12	-	34 657.85	10 398.21	16 330.03	28 726.03	56 345.10
Extinguisher fire	73 760.57	-	-	2 364.77	71 395.81	-	36 781.64	4 993.14	2 352.22	39 422.56	31 973.25
Generator	10 351.68	-	-	-	10 351.68	-	5 019.23	517.81	-	5 537.04	4 814.64
Lawnmower	5 404.33	-	-	-	5 404.33	-	2 676.03	273.90	-	2 949.93	2 454.40
LDV	346 005.18	-	-	-	346 005.18	-	90 916.28	9 536.67	-	100 452.95	245 552.23
Mechanical equipment	730.56	-	-	-	730.56	-	339.19	35.58	-	374.77	355.79
Office equipment	77 108.33	-	-	16 479.42	60 628.90	-	40 457.24	7 091.11	16 438.04	31 110.31	29 518.59
Office furniture	410 124.26	-	-	5 383.71	404 740.55	-	121 858.85	18 342.41	5 346.87	134 854.39	269 886.16
Plant & Equipment	42 418.71	-	-	3 476.87	38 941.84	-	15 048.14	3 439.24	3 466.40	15 020.98	23 920.86
Pump equipment	22 593.85	-	-	2 070.75	20 523.10	-	8 415.17	2 286.47	2 059.77	8 641.87	11 881.23
Radio equipment	8 974.16	-	-	-	8 974.16	-	3 280.03	522.46	-	3 802.48	5 171.68
Recorder	872.60	-	-	-	872.60	-	388.09	44.05	-	432.14	440.46
Road work machinery	389 000.00	-	-	80 000.00	309 000.00	-	219 636.70	58 206.23	79 575.67	198 267.26	110 732.74
Sewerage truck	287 868.16	-	-	-	287 868.16	-	56 363.32	10 221.52	-	66 584.83	221 283.33
Tables and desks	289 332.07	-	-	5 791.09	283 540.98	-	85 776.83	14 963.90	5 757.45	94 983.28	188 557.70
Toolbox	-	-	-	-	-	-	-	-	-	-	-
Tools	93 059.52	5 875.13	-	1 858.14	97 076.51	-	25 882.22	7 517.65	1 848.28	31 551.58	65 524.93
Tractor	472 327.87	-	-	-	472 327.87	-	50 171.38	19 562.21	-	69 733.59	402 594.27
Trailer	479 000.00	355 000.00	-	-	834 000.00	-	228 089.20	29 874.48	-	257 963.68	576 036.32
Truck flat bed	323 596.60	-	-	100 000.00	223 596.60	-	102 322.10	64 906.62	99 354.67	67 874.05	155 722.55
Tv and video equipment	918.03	-	-	-	918.03	-	426.23	44.71	-	470.94	447.09
Welding machine	1 034.69	-	-	-	1 034.69	-	544.29	54.49	-	598.78	435.91
	5 513 176.50	592 548.73	-	358 052.52	5 747 672.72	-	1 656 862.13	467 606.98	356 290.94	1 768 178.17	3 979 494.55
PPE	257 959 291.15	8 032 638.73	-	741 744.18	264 377 100.70	20 908.03	63 395 478.09	6 623 894.29	739 934.93	69 279 437.46	195 076 755.20

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost					Impairment	Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance		Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	146 392.25	5 790.00	-	10 546.22	141 636.03	-	52 532.10	12 155.49	10 489.17	54 198.42	87 437.61
Budget & Treasury	54 202 217.59	247 187.51	-	310 121.14	54 139 283.96	-	5 807 202.73	916 023.04	309 818.02	6 413 407.76	47 725 876.20
Corporate Services	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	76 656.42	-	-	10 006.05	66 650.38	-	32 087.19	6 687.72	9 973.23	28 801.68	37 848.70
Health	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	796 545.02	241 496.81	-	156 873.72	881 168.11	-	369 317.81	100 278.59	156 690.91	312 905.49	568 262.62
Housing	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation	93 077.21	-	-	-	93 077.21	-	2 417.59	3 021.99	-	5 439.58	87 637.63
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management	30 369 104.39	-	-	-	30 369 104.39	-	3 696 790.85	502 383.89	-	4 199 174.74	26 169 929.65
Road Transport	75 194 851.54	1 573 702.81	-	20 182.44	76 748 371.91	-	35 351 434.44	3 124 972.59	20 088.87	38 456 318.17	38 292 053.74
Water	76 496 415.48	4 256 626.97	-	48 179.66	80 704 862.79	-	13 186 115.93	1 349 879.08	48 131.99	14 487 863.02	66 216 999.77
Electricity	20 584 031.24	834 749.38	-	185 834.95	21 232 945.67	20 908.03	4 897 579.46	608 491.90	184 742.74	5 321 328.62	15 890 709.02
TOTAL	257 959 291	7 159 553	-	741 744	264 377 100	20 908	63 395 478	6 623 894	739 935	69 279 437	195 076 755

	Cost					Impairment	Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Transfer in	Disposals	Closing Balance		Opening Balance	Additions	Disposals	Closing Balance	
Administration	52 128 995.08	19 521.93	-	19 570.20	52 128 946.81	-	5 205 830.09	666 025.31	19 555.11	5 852 300.29	46 276 646.52
Councillor general expenditure	146 133.16	-	-	10 546.22	135 586.94	-	52 416.86	11 899.90	10 489.17	53 827.59	81 759.35
Director economical development	76 656.42	-	-	10 006.05	66 650.38	-	32 087.19	6 687.72	9 973.23	28 801.68	37 848.70
Director finance	2 058 708.25	164 139.00	-	290 550.94	1 932 296.30	-	594 969.76	246 968.07	290 262.91	551 674.93	1 380 621.38
Electricity	20 557 859.73	834 749.38	-	185 834.95	21 206 774.16	20 908.03	4 885 605.02	608 287.55	184 742.74	5 309 149.82	15 876 716.31
Library	586 824.77	127 765.44	-	149 981.75	564 608.46	-	272 731.50	86 610.81	149 835.49	209 506.82	355 101.64
Parks.trees and recreation	93 077.21	-	-	-	93 077.21	-	2 417.59	3 021.99	-	5 439.58	87 637.63
Sanitation	30 369 104.39	-	-	-	30 369 104.39	-	3 696 790.85	502 383.89	-	4 199 174.74	26 169 929.65
Streets & public works	75 244 988.70	1 756 750.76	-	20 182.44	76 981 557.02	-	35 373 619.49	3 128 966.03	20 088.87	38 482 496.65	38 499 060.37
Townhall and buildings	200 527.97	-	-	6 891.98	193 635.99	-	92 893.81	13 163.97	6 855.42	99 202.36	94 433.63
Water	76 496 415.48	4 256 626.97	-	48 179.66	80 704 862.79	-	13 186 115.93	1 349 879.08	48 131.99	14 487 863.02	66 216 999.77
TOTAL	257 959 291	7 159 553	-	741 744	264 377 100	20 908	63 395 478	6 623 894	739 935	69 279 437	195 076 755

APPENDIX D
KAROO HOOGLAND MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance at 1 July 2015	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Total Expenditure during the year Transferred to Revenue	Grants Withheld	Balance at 30 June 2016	Unspent 30 June 2016 (Creditor)	Unpaid 30 June 2016 (Debtor)
	R	R	R	R		R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
National Government Grants									
Integrated Electrification Programme	1 000	-	-	-	-	-	1 000	1 000	-
Financial Management Grant	1 000	1 800 000	1 800 000		1 800 000	-	1 000	1 000	-
Municipal Infrastructure Grant	539 071	8 005 000	-	5 540 071	5 540 071	(3 003 000)	1 000	1 000	-
Municipal Systems Improvement Grant	1 000	930 000	903 750	26 250	930 000	-	1 000	1 000	-
Regional Bulk Infrastructure	1 000	522 177		522 177	522 177	-	1 000	1 000	
Total National Government Grants	543 071	11 257 177	2 703 750	6 088 498	8 792 248	(3 003 000)	5 000	4 000	-
Provincial Government Grants									
Expanded Public Works Programme	1 000	1 000 000	1 000 000	-	1 000 000	-	1 000	1 000	-
Library Services	231 106	1 713 000	1 489 347	162 553	1 651 899	-	292 207	292 207	-
Total Provincial Government Grants	232 106	2 713 000	2 489 347	162 553	2 651 899	-	293 207	293 207	-
Other Grants									
District Municipality Surplus funds	-	-	-	-	-	-	-	-	-
NALA	-	-	-	-	-	-	-	-	-
Total Other Grants	-	-	-	-	-	-	-	-	-
Equitable Share	-	15 812 000	15 812 000	-	15 812 000	-	-	-	-
TOTAL GOVERNMENT GRANTS	775 177	29 782 177	21 005 097	6 251 051	27 256 147	(3 003 000)	298 207	297 207	-